GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1111
ANSWERED ON:23.11.2007
MONEY DEPOSITED IN NON BANKING FINANCE COMPANIES
Bellarmin Shri A.V.

Will the Minister of FINANCE be pleased to state:

e:

(a) whether the Government has received complaints that non-banking financial companies are cheating their depositors;

(b) if so, the details thereof and the action taken by the Government thereon;

(c) whether the Government proposes to bring any legislation to confiscate the properties of such fraud non-banking financial companies;

(d) if so,the details in this regard; and

(e) if not, the reasons therefor?

Answer

The Minister of State in the Ministry of Finance(Shri Pawan Kumar Bansal)

(a)&(b) : It has besn reported by Reserve Bank of India (RBI) that no such complaints have been received in this regard. However, RBI has received complaints against several Non-Banking Financial Compan.es (NBFCs) which have defaulted in repayment of deposits. RBI has been taking action against NBFCs which have not complied with the provisions of RBI Act and the directions thereunder cr have shown weaknesses in the financial position.Such action includes prohibiting the companies from carrying on non-banking financial activity, acceptance of deposits and alienation of assets. Wherever the default is persistent in nature, RBI initiates winding up proceed;, igs and also files criminal complaint against the Directors of the NBFC. So far RBI has filed winding up petition against 84 NBFCs and criminal proceedings in 70 cases.

(c): No such proposal is presently under consideration of the Government.

(d): Does not arise.

(e): RBI has put in place a comprehensive regulator)` and supervisory framework aimed at protecting the interests of depositors. Efforts have also been made for depositors1 education through different media since an informed depositor is considered the best defence against unscrupulous entities. Chapters II1-B, TII-C & V of RBI Act, 1934 were amended in 1997 vesting considerable powers with RBI for effective supervision over deposit taking non-banking financial companies. RBI has developed and put in place a comprehensive four pronged mechanism to effectively supervise the NBFCs and monitor the compliance by the companies with provisions of RBI Act and Directions issued thereunder. This involves (a) onsite inspection of NBFCs; (b) off-sits; monitoring of NBFCs through .periodic control :returns using state of art information technology system; (c) an effective market intelligence network and (d) a system of submission of exception reports by auditors of NBFCs, RBI also closely monitors delinquent/errant companies through special returns or by appointing Observers) wherever necessary, for overseeing functioning of the companies.